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Financial reports and audited financial statements, and reports of the Board of Auditors: capital master plan

Implementation of the recommendations of the Board of Auditors contained in its report on the capital master plan for the year ended 31 December 2012

Report of the Secretary-General

Summary

The present report provides additional information in response to the recommendations of the Board of Auditors as contained in its report on the capital master plan for the year ended 31 December 2012. The report is submitted in accordance with paragraph 7 of General Assembly resolution 48/216 B, in which the Assembly requested the Secretary-General to report to it at the same time as the Board of Auditors submitted its recommendations to the Assembly on measures taken or to be taken to implement those recommendations.

The Administration has concurred with most of the Board's recommendations, and the related comments of the Secretary-General have been duly reflected in the report of the Board. In an effort to reduce redundancy and streamline documentation, the present report provides additional comments from the Administration only where required, as well as information on the status of implementation, the office responsible, the estimated completion date and the priority of each recommendation contained in the report of the Board of Auditors. In addition, the present report contains updated information on the status of implementation of the recommendations of the Board for prior periods that were reported by the Board as not having been fully implemented in the relevant annex to its report.

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I. Introduction

1. The present report is submitted pursuant to paragraph 7 of General Assembly resolution 48/216 B, in which the Assembly requested the Secretary-General to report to it on the measures that would be taken to implement the recommendations of the Board of Auditors at the same time as the reports of the Board were submitted to the Assembly.

2. Information on the implementation of the recommendations contained in the report of the Board of Auditors on the capital master plan for the year ended 31 December 2012 (A/68/5 (Vol. V)) is provided in section II, and similar information contained in the Board's report for 2011 (A/67/5 (Vol. V)) is provided in section III.

II. Implementation of recommendations for 2012

Overview

3. Most of the Administration's initial comments on the status of implementation of the Board's recommendations have already been included in the report of the Board, thus, additional comments are provided below only where required.

4. Table 1 below provides a summary of the status of implementation as at 12 August 2013 of the main recommendations and table 2 provides a summary of the status of implementation of all recommendations.

Table 1
Status of implementation of main recommendations for 2012

Office responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	4	–	4	4	–

5. All four main recommendations have target dates. One recommendation is targeted for implementation by the end of 2013; two by the end of 2014; and the other by mid-2015.

Table 2
Status of implementation of all recommendations for 2012

Office responsible	*Number of recommendations*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	9	2	7	7	–

Detailed information

6. **In paragraph 38 of its 2012 report, the Board reiterated its previous recommendations on the process for determining the anticipated final costs (see also A/67/5 (Vol. V), para. 32).**

7. The anticipated final cost-to-complete report is reviewed and updated each month on the basis of construction events and the latest information available, including expenditures and disbursements. The Administration will continue such updates up to the time of completion of the capital master plan project.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

8. **In paragraph 39 of its report, the Board recommended that for future projects of this nature the Administration develop a risk-based approach to determining, allocating and reporting contingency funds based on best practice in modern project management.**

9. As noted by the Board in paragraph 27 of its report, the new risk forecasting technique used by the Administration for the capital master plan is a positive step forward and the assignment of costs to risks appears reasonable. The Administration will use a similar risk-based approach to determine, allocate and report contingency funds for future capital projects.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

10. **In paragraph 48, the Board recommended that, as part of the plan to complete the General Assembly building in time for the general debate in September 2014, the Office of the Capital Master Plan provide the senior responsible owner with clear criteria for when planned contingency measures would be triggered, including a breakdown of costs versus benefits.**

11. The Office of the Capital Master Plan has a detailed implementation schedule made up of a large number of task items that sets out the critical path necessary to complete subprojects, including the General Assembly Building, within the time frame allotted to them. Part of this critical path is an assessment by management of the key milestones and trigger points; if these are not met for any reason, additional actions such as contingency measures may be considered to maintain the schedule.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2013

12. **In paragraph 54, the Board recommended that the Administration produce costed and realistic options to assist the General Assembly in deciding whether to remove the Library and South Annex Buildings from the scope of the capital master plan and if so whether to use the $65 million budget to reduce the current cost overrun.**

13. The Administration will include the costed options in its eleventh annual report on the implementation of the capital master plan, to be submitted to the General Assembly at its sixty-eighth session.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2014

14. **In paragraph 59, the Board recommended, in view of the challenging schedule for the General Assembly Building, that the Under-Secretary-General for Management consider obtaining independent technical advice on the likelihood of the building being completed in line with the existing deadline, specifications and cost.**

15. The Administration remains committed to completing the project on schedule and will provide a status update to the General Assembly at its sixty-eighth session. The Administration is also considering the need for independent technical advice.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2013

16. **In paragraph 69, the Board recommended that the working group on flexible workspace strategies: (a) gather robust data on building occupancy utilization and the occupancy costs per desk in each building, across the entire portfolio of permanent and rented space in New York; and (b) use this analysis to better understand its future estate requirements both in New York and across the wider global estate.**

17. The Secretary-General will submit a report on the flexible workplace to the General Assembly at the main part of its sixty-eighth session in which the options under this concept (desk-sharing, hot-desking, etc.) will be considered and the potential benefits, costs and risks for the Organization will be outlined.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2014

18. **In paragraph 72, the Board recommended that the Administration formally document and embed lessons from the capital master plan in other emerging projects as it makes its early strategic procurement and delivery choices.**

19. Lessons learned to date will be included in the eleventh annual report on the implementation of the capital master plan.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: First quarter of 2014

20. **In paragraph 77, the Board recommended that the Administration adopt a whole life cycle asset investment strategy and assess costed options for the through-life maintenance of the Headquarters buildings.**

21. With regard to the maintenance of the renovated installations, a preventive and corrective maintenance programme is in place to safeguard the value of the

investments made until a long-term life cycle replacement and major maintenance strategy is fully established and approved. The Administration is working to categorize installed building components and assemble the data necessary to establish a long-term life cycle replacement plan. The overall approach is an integral part of the strategic capital review, the result of which will be a proposed 20-year capital programme and prioritization strategy for all global premises of the Secretariat.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Second quarter of 2015

22. **In paragraph 82, the Board recommended that the Office of Central Support Services review its ongoing maintenance contracts, based on an assessment of the total scope of facilities management requirements after completion of the capital master plan, and assesses the possibilities for obtaining better value from any future strategic commercial relationships.**

23. The implementation of this recommendation is dependent on the status of the handover by the Office of the Capital Master Plan to the Facilities Management Service and will be an ongoing process from the present to the end of the renovation and an assessment of maintenance requirements following a full year of operation. Wherever contractual arrangements allow, the Service includes the anticipated post-capital master plan scope of facilities in contracts in order to obtain better value from commercial relationships. The Service will continue to work closely with the Procurement Division as operating data become available to inform its facilities maintenance strategy.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2015

III. Implementation of the recommendations for 2011

Overview

24. In section V, paragraph 7, of its resolution 67/246, the General Assembly noted with concern the findings of the Board of Auditors on the governance, risk management and control processes for the capital master plan and urged the Secretary-General to make every effort to implement its recommendations as a matter of priority and to report thereon during the main part of the sixty-eighth session.

25. In annex III to its report (A/68/5 (Vol. V)), the Board provided a summary of the status of implementation of recommendations for 2011. Information is provided below on the eight recommendations indicated as being under implementation, set out in the order in which the recommendations were presented.

26. The overall situation is summarized in table 3.

Table 3
Status of implementation of recommendations for 2011[a]

Office responsible	*Number of recommendations*	*Not accepted*	*Implemented*	*In progress*	*Target date set*	*No target date*
Department of Management	8	1	5	2	2	–

[a] See A/68/5 (Vol. V), annex III.

27. Out of the eight recommendations listed as being under implementation, five have been implemented, one was not accepted and two are in progress and scheduled for implementation by the end of 2014.

Detailed information

28. **In paragraph 28 of its 2011 report (A/67/5 (Vol. V)), the Board stated that the Administration agreed with the Board's recommendation that it develop a cost-time trade-off criterion to guide decisions on whether it was worth making acceleration payments or whether accepting a delay would be better value for money.**

29. The Administration established the methodology and process and presented them to the Board with examples and evidence during an audit visit in April 2013. The process will be ongoing until the capital master plan project is completed. If the Administration concludes that accepting a delay might have serious ramifications and cost implications for project costs, acceleration is considered a possible remedial measure where the project schedule is at risk.

30. Should this be the case, a decision on the acceleration would be based on: (a) an initial indication during weekly schedule meetings that acceleration may be required; (b) an assessment of the cost of acceleration by the Office of the Capital Master Plan and consideration of the use of contingency funds to cover the acceleration; and (c) the assessment and evaluation of the cost of acceleration payments versus a delay in the project schedule and possible consequences. A decision would then be made and the cost implication would be reflected in updated monthly cost report.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

31. **In paragraph 32, the Board stated that the Administration agreed with its recommendation that the Administration urgently take stock and rebuild the anticipated final cost of the project. The rebuilt anticipated final cost should include estimates for the likely cost of: (a) identified project risks; (b) change orders until project completion; (c) acceleration activities in order to meet the project schedule; (d) claims that have been submitted and an allowance for future claims; (e) up-to-date estimates for remaining guaranteed maximum price contracts (by revalidating prices and setting a realistic level of contingency based on the lessons learned from previous guaranteed maximum price contracts); and (f) the cost of altering off-site office locations to the extent that they will be met by the capital master plan budget.**

32. For the Administration's comments see paragraph 7 above.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

33. **In paragraph 35, the Board recommended that senior management in the Administration put in place appropriate controls such that they can clearly demonstrate to the General Assembly that assurance can be placed on the reported cost forecasts.**

34. The anticipated final cost report is reviewed and updated each month, and it follows extensive consultations between the project cost manager, the construction manager and the Administration. Weekly meetings are held with the construction manager to review the costs and schedule. The Administration will continue this process until the project is completed.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

35. **In paragraph 41, the Board stated that the Administration agreed with the Board's recommendation that, once it had prepared a complete and robust anticipated final cost, it set out the timeline for all remaining project commitments, being clear about the effect that delayed or partial release of funding will have on costs and timing.**

36. A commitment schedule for the remaining scope of the project was developed and presented to the General Assembly at its sixty-seventh session and was the basis for the approved commitment authority of $168 million included in Assembly resolution 67/246. The commitment schedule is being validated and updated regularly on the basis of actual commitments raised by construction subprojects.

Department responsible: Department of Management
Status: Implemented
Priority: High
Target date: Not applicable

37. **In paragraph 51, the Board reported that the Administration agreed with the Board's recommendation that, if the Library and South Annex Buildings could not remain in scope, it present the General Assembly with costed options for accommodating the facilities currently housed in those buildings. The Administration committed to implementing the recommendation during the sixty-seventh session.**

38. In accordance with section V, paragraph 29, of General Assembly resolution 67/246, updated information and options, as well as financial implications, on the renovation of the South Annex Building and the Dag Hammarskjöld Library Building will be included in the eleventh annual report on the implementation of the capital master plan to be submitted to the General Assembly during the main part of its sixty-eighth session.

Department responsible: Department of Management
Status: In progress
Priority: Medium
Target date: Fourth quarter of 2014

39. **In paragraph 55, the Board recommended that the Administration urgently establish more effective and regular governance over the capital master plan. It further stated that the Under-Secretary-General for Management needed to determine how he could assure himself that cost and progress forecasts were accurate, especially where areas of technical construction judgement were involved. The Board is aware that typically, in a project of this nature, senior management would be supported by expert advice independent of the project team.**

40. At the time this recommendation was raised in 2012 more than 70 per cent of the project had been completed. Up to that time, it was considered that the project had been managed with clear lines of supervision and accountability, including periodic reviews by the Management Committee. At that advanced stage of implementation, adding another layer of supervision by establishing a steering committee could have blurred the lines of accountability and delayed the decision-making process. The Administration considered that the project required a strong execution process, transparent lines of communication with all stakeholders and responsible budget management (including monitoring, control and evaluation), all of which have been and continue to be provided under the existing arrangements.

41. This assessment was validated in mid-2012 by the in-depth technical construction audit conducted by the Office of Internal Oversight Services (A/67/330) with the support of an independent external professional services firm, which verified the reasonableness of the costs related to the capital master plan project. It also verified that the Office of the Capital Master Plan was managing and controlling the project appropriately given its size, complexity and duration.

42. The Administration noted, however, the value of this recommendation, in particular for the early stages of planning, designing and budgeting for future projects of a similar nature and scale. The importance of governance and project management with clear lines of supervision and accountability, which may involve establishing a steering committee, will be addressed further in the context of lessons learned in the forthcoming eleventh annual report on the implementation of the capital master plan.

Department responsible: Department of Management
Status: Not accepted
Priority: High
Target date: Not applicable

43. **In paragraph 62, the Board reported that the Administration agreed with its recommendation that, drawing on the lessons from the capital master plan, it consider how in future it could manage contingency funding on capital projects in a more transparent and effective manner.**

44. The point made by the Board is valid. Indications are that future capital projects will increase in size, scope and complexity and the establishment and monitoring of contingency reserves will be integral to their successful completion. The adoption of the International Public Sector Accounting Standards and the

consequential capitalization of assets in progress will improve transparency in reporting on the utilization of contingency reserves.

Department responsible: Department of Management
Status: Implemented
Priority: Medium
Target date: Not applicable

45. **In paragraph 83, the Board reported that the Administration agreed with its recommendation that the Department of Management: (a) pilot the implementation of flexible working strategies which move away from a one person to one desk ratio; and (b) assess the potential operational and financial impact of adopting flexible workplace strategies to reduce the future space needs of the United Nations in the context of any proposals for renovating existing, or acquiring new, office space.**

46. Alternatives to the current one person to one desk model will be considered by the working group on flexible workspace strategies that was recently set up to develop an approach to the implementation of alternative workspace strategies in the Secretariat. The working group's main tasks will be to ensure that hot-desking proposals are integrated into the report on working practices that will be submitted to the General Assembly at its sixty-eighth session, to study and present options with cost-benefit analyses and to develop and pilot a communications strategy.

Department responsible: Department of Management
Status: In progress
Priority: High
Target date: Fourth quarter of 2014